

# **Process Review Guidelines for Joint State/FHWA Process Review of Appraisal and Appraisal Review:**

## **Purpose of the Review:**

The review will assess compliance with 49 CFR, Part 24 and the State's Land Acquisition Policies and Manual (LAPPM) Chapter 2. Detailed appraisal reports involving complex appraisal problems will be the focus of the review. An assessment will be made of qualifications, training, and personnel development of staff and fee appraisers and reviewers. An assessment will also be made of the management of appraisal fees and contracts. Desirable or necessary revisions to Chapter 2 of the LAPPM will be evaluated.

## **Specific Objectives and Desired Outcomes:**

1. High quality appraisal documents for detailed appraisal reports involving complex appraisal problems including proper support and documentation for after values and damages to remainder properties.
2. A clear understanding by staff and fee reviewing appraisers of their roles and responsibilities with particular emphasis on: improved recognition, understanding and documentation of special appraisal problems, e.g., identification of uneconomic remnants, identification and appraisal of tenant-owned improvements, identification of the "larger parcel", and appraisal of contaminated properties.
3. Identify potential improvements in the management of appraisal and appraisal review fees and contracts/contract administration including "turnkey consultant" contracts.
4. Identify potential improvements/changes to the LAPPM Chapter 2 and suggestions for future changes to federal guidelines, e.g., waiver of appraisal review requirements for certain types of appraisal problems.

## **Method and Scope of Review:**

A sample of six complex (detailed) appraisals, including review appraiser documentation, completed within the past year will be desk and field reviewed in each District reviewed. The appraisals will be desk reviewed prior to the District visit. Interviews and discussions will be conducted with District Land Acquisition Engineers, District Chief Review Appraisers and if possible at least one fee appraiser and/or fee reviewing appraiser. Discussions and interviews will include topics listed within the attached "guideline questions" and any questions or comments that may come up subsequent to desk and field review of the selected detailed appraisal reports.

## **Guidelines Questions**

### **Detailed Appraisal Reports**

Are you having any difficulties in the identification of the appraisal problem and determining when a detailed report will be required? Discuss this process.

When assigning a complex/detailed appraisal to a staff or fee appraiser, are directions and instructions clear and adequate as to what is expected in the way of a well documented and supported appraisal report? Discuss this process.

Describe the various appraisal formats you use and under what condition they are used for: a) detailed reports and b) non-detailed reports.

Describe the process for estimating fees for contract appraisals. Do you have and use a schedule that you use as a guide for determining fees? If yes, example.

When preparing detailed/complex appraisals, when and under what conditions would a cost and/or an income approach to value be considered and prepared in addition to the direct sales comparison approach? Any examples of detailed reports that employ a cost and/or income approach?

When would you consider obtaining more than one appraisal for a detailed/complex appraisal problem? Examples?

Are you satisfied that staff and fee appraisers are obtaining the most current and the most comparable sales data to support both before and after values? Discuss this process.

In regard to complex partial acquisition appraisals, what is your understanding as to what elements of damages are

legally compensable under state law? What elements of damage are non compensable under state law? Any problems with appraisers' understanding of compensable vs. noncompensable damages?

In regard to complex partial acquisition appraisals, what is your understanding as to what type of special benefits can be considered to offset any appraised damages to the remainder property? List by example. Has your district any examples of appraised special benefits that offset damages to the remainder? If yes, example/s.

### **Special Appraisal Problems**

Do you have any questions or are you experiencing any difficulties in the appraisal of contaminated properties? Discuss the process. Do you have a recent example of an appraisal where the contaminated state of the property negatively affected the value of the parcel/property. Do you have a recent example of an appraisal where the contaminated state of the property did not negatively affect the value of the parcel/property.

Do you have any questions or are you having any difficulties in the identification and documentation of uneconomic remnants. Discuss process. Do you have a recent example/s?

When the review appraiser does not agree with the appraiser's estimate of FMV, describe your process for resolving this problem. Example/s?

Do you have any questions or are you having any difficulties in the identification and documentation of tenant owned improvements. Discuss process. Do you have a recent example/s?

Explain your appraisal process in the valuation of tenant owned improvements. How do you estimate contributory value? Salvage value? Example/s of appraised tenant owned improvements.

Are you having any difficulties or problems in the determination of the *larger parcel*. What factors do you consider when making this determination? If you determine that the larger parcel is other than that parcel as depicted upon the right of way plans, explain what is done to rectify this difference.

### **Appraisal and appraisal review fees and contracts**

Describe your process for the estimating of appraisal fees for contract appraisals and for contract review appraisals. Do you employ any fee schedules in this process? Example/s. How is this process different for turnkey right of way consultants?

Provide an example contract for fee appraisal services and for fee review appraisal services.

Does your District have an adequate list/number of state certified fee appraisers who are competent to perform detailed before and after value appraisals for condemnation purposes? If list/number is limited, what steps are being taken to address the situation?

### **Other Issues**

How is the \$10,000 waiver of appraisal policy and procedure working? Is the \$10,000 ceiling appropriate? During the past year approximately what percentage of your parcels were acquired using the waiver of appraisal procedures? Any problems?

Is the \$5000 limit on damages (excluding cost-to-cure) for noncomplex/non-detailed appraisals appropriate? Should it be adjusted?

Are there any current policies and procedures in Chapter 2 of the LAPPM that are in need of improvement or revision?

Do you have any comments or suggestions for future improvements/changes in federal requirements under 49 CFR, Part 24?

### **Schedule of Field Reviews**

District ... April 2-4, 2002

District ... June 26-28, 2002

District ... July 24-26, 2002

District ... August 7-9, 2002

District ... September 12-13, 2002

Close-out and draft statewide review report by October 15, 2002